EXHIBIT 4 DATE 3/4/09 SB 102

# **CONTROLLED GROUND WATER AREAS**

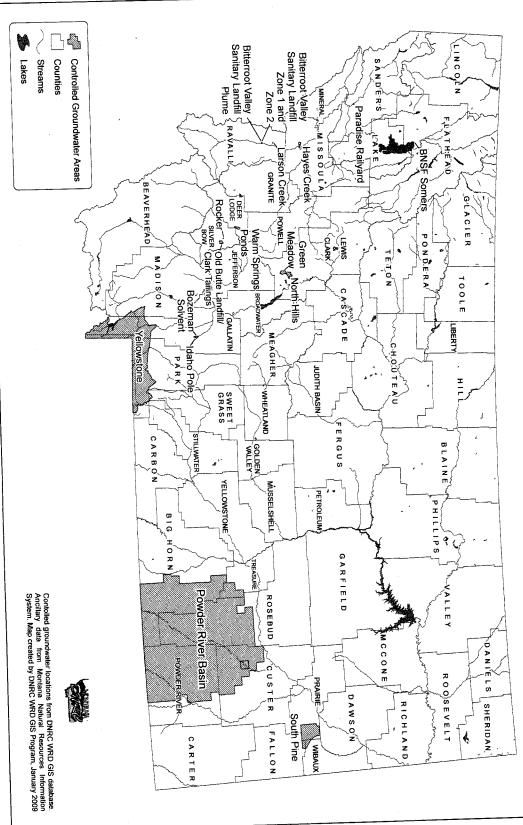
## WATER QUANTITY CLOSURES

GRANTED	<b>Effective Date</b>	County
<ul> <li>South Pine Controlled Ground Water Area</li> <li>Larson Creek Controlled Ground Water Area</li> <li>Hayes Creek Controlled Ground Water Area</li> <li>Powder River Basin Controlled Ground Water Area</li> <li>North Hills Controlled Ground Water Area – temporary</li> <li>Temporary extended</li> </ul>	11/1/1967 11/14/1988 05/25/1995 12/15/1999 12/17/1999 04/25/2008	Wibaux Ravalli Missoula Custer Lewis & Clark
The North Hills TCGWA was extended for two additional years for further study, the permitting requirements were modified and the area of the CGWA was reduced from 52.5 to 11 square miles by Final Order on 04/25/2008.		
<ul> <li>Green Meadow Controlled Ground Water Area – temporary</li> </ul>	02/08/2008	Lewis & Clark
The Green Meadow TCGWA was issued by Final Order on 02/08/200 to conduct further study. The area of the Green Meadow TCGWA is 9.1 square miles.		
DENIED OR EXPIRED	<b>Effective Date</b>	County
Horse Creek Controlled Ground Water Area – expired	02/12/2006	Stillwater
The Horse Creek Temporary CGWA was initially <u>issued</u> on 02/12/2004 expired on 02/12/2006.		
Sypes Canyon Controlled Ground Water Area – denied	04/27/2008	Gallatin
The Sypes Canyon Temporary CGWA was initially <u>issued</u> on 04/26/2002 and was <u>denied</u> by Final Order on 04/27/2008. The hearings examiner found that the evidence showed ground water levels fluctuate more from the effects of precipitation than from withdraws.	e	
Four Corners Controlled Ground Water Area - denied	10/17/2005	Gallatin
The Four Corners CGWA was <u>denied</u> by Final Order on 10/17/2005. The hearings examiner found that the evidence was not sufficient to show that ground water withdrawals are causing an impact great enough to justify a permanent CGWA.		
Smith Valley Controlled Ground Water Area - denied	02/07/2007	Flathead
The Smith Valley CGWA was <u>denied</u> by Final Order on 02/08/2007. The hearings examiner found that the opponents supplied more credible information that showed ground water withdraws do not exceed recharge.		

# WATER QUALITY CLOSURE

GRANTED	<b>Effective Date</b>	County
<ul> <li>US National Park Service-MT Compact Yellowstone CGWA</li> <li>Warm Springs Ponds Controlled Ground Water Area</li> </ul>	01/31/1994 05/25/1995	Park Deer Lodge
Rocker Controlled Ground Water Area	05/30/1997	Silver Bow
Bozeman Solvent Site Controlled Ground Water Area	07/20/1998	Gallatin
Old Butte Landfill	12/17/1999	Silver Bow
• Idaho Pole Controlled Ground Water Area	11/30/2001	Gallatin
Idaho Pole CGWA has an area of approximately 0.17 square miles		
<ul> <li>BNSF Paradise Controlled Ground Water Area</li> </ul>	08/19/2002	Sanders
Paradise Railyard CGWA has an area of approximately 0.52 square miles		
<ul> <li>BNSF Somers Site Controlled Ground Water Area</li> </ul>	05/09/2003	Flathead
BNSF Somers CGWA has an area of approximately 0.1 square miles		
Bitterroot Valley Sanitary Landfill CGWA	02/09/2004	Ravalli
Bitterroot Valley CGWA has three different control areas Plume One has an area approximately 0.17 square miles Plume Two has an area approximately 0.19 square miles Plume Three has an area approximately 0.17 square miles In total the control area is approximately 0.53 square miles		

# Montana Controlled Groundwater Areas January 2009



### TESTIMONY IN SUPPORT OF SENATE BILL 120 CONTROLLED GROUND WATER AREAS JOHN TUBBS, ADMINISTRATOR, WATER RESOURCES DIVISION DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear and present testimony in support of this important legislation. My name is John Tubbs, and I am the Administrator of the Water Resources Division of the Department of Natural Resources and Conservation (Department). My Division is charged with implementing the Montana Water Use Act.

Senate Bill 120 provides crucial modifications and improvements to the current statutes providing for the designation and modification of controlled ground water areas (CGWA). §\$85-2-506, and -507, MCA. CGWA's are areas where there are concerns over the effect of ground water withdrawals under current permit exemptions (primarily, not to exceed 35 gallons per minute and 10 acre-feet per year) and permits on the water resource, water quality, and the ability of current water right holders to continue to reasonably exercise their water rights. SB 120 replaces an antiquated process which does not reflect the complexities faced today with an efficient, cost-effective, rulemaking process that is generally recognizable to everyone and allows for broad public participation.

To understand why this Bill is crucial, it is important to understand the background of the CGWA statutes and recent proceedings. The current CGWA statutes were part of the 1961 Ground Water Code which predates the 1973 Montana Water Use Act, the 1972 Montana Constitution, and the 1971 Montana Administrative Procedure Act (MAPA). The statutes (§§85-2-506 and -507, MCA) embody a relatively simplistic procedure of an uncomplicated time that no longer exists. The statutes needs to be updated to reflect MAPA, used by all agencies, and twenty-first century administration of surface and ground water appropriations.

The current process can be initiated by petition <u>alleging</u> facts that indicate that the criteria for a CGWA are met. No actual evidence need be presented, but rather the Department is required to move forward on the basis of only allegations that such facts exist. A proposed CGWA is not restricted in size and can currently be initiated by Department on its own motion, by petition of a state or local public health agency for identified public health risks, or by petition signed by at least 20 or one-fourth of the users, whichever is the lesser number, of ground water in the proposed CGWA. Thus, under the current statute, a petition by 20 people could initiate a proceeding involving an unlimited area. For example, the Department has received petitions for up to 6343 acres (Smith Valley, Kalispell) and 52.5 square miles (North Hills, Helena). Once initiated the current process proceeds to a hearing, regardless of the existence or non-existence of any supporting evidence. A full fair and orderly proceeding for hearing in turn requires the exchange of information prior to hearing, although by virtue of the process many parties are not identified until they appear at the hearing. It is difficult to provide for advance knowledge of the basis for a proposed CGWA due to the process provided in statute.

After the hearing, the Department exercises its expertise, for the <u>first time</u>, to determine whether designation is warranted based on the evidence in the record.

The "full, fair and orderly proceeding" requiring all relevant oral and written evidence to be taken, is not tied to a defined process in MAPA. Due to increased controversy over water and development issues, we face a situation combining expert hydrologic evidence, attorneys, corporations, families, landowners, individuals and the list goes on. With the current statutes and the lack of a clear tie to MAPA, it is difficult for the lay public to participate in and understand the process, and it increasingly pits the lay public against parties who hire attorneys and expert witnesses, and who want to cross examine others who participate in the hearing. Members of the public are rightly concerned because the designation of CGWA's can affect a large number of landowners and interests. Recent CGWA hearings have been expensive, time consuming, and frustrating for all parties, including Department staff. The Bill is intended to address those concerns.

This Bill provides for a rulemaking process under MAPA. This brings the CGWA process in line with the rulemaking process provide for closing basins under §85-2-319, MCA. The rulemaking process is initiated only after evidence is presented to the Department that there is sufficient concern to warrant taking the issue to the public, i.e. initiate rulemaking. CGWA's are local concerns and this Bill focuses the initial discussion of those issues on local governments and agencies. With a rulemaking hearing, the Department would publish its basis for the proposed rule (establishment of a CGWA) and members of the public could comment. At the hearing, all members of the public can participate without fear of cross-examination and, yet, those with expert hydrologic evidence can present that evidence also.

More specifically, the process would flow as follows. The process is tied to MAPA and the Bill replaces the term "order" with the term "rule." A threshold level of evidence to initiate a rulemaking proceeding is required by a "correct and complete" petition be submitted to the Department. (Correct and complete requires substantial credible information addressing the criteria. §85-2-102, MCA) Correct and complete means that there is sufficient evidence in the petition for the Department to move forward in the process to evaluate the merits of the petition and whether to move forward with rulemaking. Recall under the current statute, the CGWA proceeding and hearing can be initiated with a simple allegation that a problem exists and requires no minimal level proof of a problem. (Page 11, lines 5-6). On page 12 of the Bill, the statute is amended to allow the Department to use its expertise to evaluate the petition and any other available information to determine whether a proposal of a rule establishing or modifying a CGWA is warranted. If the Department declines to move forward with rulemaking, it must provide a written justification of its decision not to move forward.

If the Department decides to go forward with a proposed rule, it not only provides for notice under MAPA, the Department must provide additional notice as required on pages 12-13 of the Bill. On pages 13-14, the Bill sets forth the criteria for the Department to use in the evaluation of the petition and designation/modification of a CGWA. The

criteria are revised to recognize current evidentiary techniques for evaluating impacts to ground water, interaction of surface water with ground water withdrawals, water quality, and protection to water right holders. The revised criteria confirm that a water right holder in the CGWA process is entitled to the same protections as water right holders outside a CGWA under the Montana Water Use Act, ex. §85-2-401, MCA. Again, in addition to the notice provided for any proposed rule, the Department would set forth its position on the criteria and the basis for the position prior to the rulemaking hearing. This way, all persons would have knowledge prior to any hearing of the information on which the Department is relying to move forward with the proposal. The new criteria also recognize that mitigation techniques may be employed to address impacts from ground water withdrawals.

The rulemaking process provides for open public participation for all persons potentially affected by a CGWA. Importantly, the rulemaking hearing and comment process would likewise allow for a range of evidence to be accepted. This would include evidence ranging from hydrologic experts to landowners who would just like to voice their opinion. With the rulemaking process comes the existing body of law which defines the process should there be any questions. Proposal of a rule does not necessarily mean that a rule designating/modifying a CGWA will be adopted. Like any rule, the Department may learn of information at the hearing and through public comment that warrants against designation/modification of a CGWA. As with the current statute, designation of a CGWA is within expertise of the Department, subject to judicial review.

The Bill continues to provide for the designation of temporary CGWAs to allow for further study. A designation maybe for up to 6 years (currently the designation is in 2year increments up to 6 years). The Bill provides for data gathering controls during temporary designations and the full range of appropriation controls in current statutes for permanent CGWA's.

Importantly, the Bill allows for temporary CGWA's to be prioritized for study by the Montana Bureau of Mines and Geology in any ground water investigation program and for prioritized study funding under the renewable resource grant and loan program. One of the biggest challenges faced by proponents of CGWA's and the Department is funding for studies of temporary CGWA's.

The proposed petition process moves the focus of the ground water issues to the local level first. In the past, the Department has seen many petitions targeted to concerns over specific subdivision approvals and county growth policies. Because of the intertwined issues of local growth and water availability and quality, the Department believes that local governments (counties, municipalities, water quality districts, and conservation districts) and local health agencies (already part of the current statutes) should be involved in the CGWA process. Any designation by the Department will certainly affect local planning. While the Department recognizes that this petition requirement is a departure from the past petition process, the Department firmly believes that CGWA's work best when they have the by-in and support of the local governing body. The

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### Repealed Sections

The Department advocates repeal of sections §§85-2-507, -509, 511, 513, 518, and -520, MCA, for the following reasons.

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- Section 85-2-513, MCA is unnecessary with the new rulemaking process.
- Section 85-2-518, MCA creates a potential conflict with administration of water rights by district courts. District courts through water commissioners have the authority to administer water rights in order of priority, Title 85, Chapter 5, MCA. Surface and ground water is a unitary resource and should be addressed together.
- Section 85-2-520 is unnecessary. The Montana Water Use Act already provides for penalties for violation of this chapter under §85-2-122, MCA.

Senate Bill 120 was amended in the Senate Natural Resources Committee and I wanted to go over the amendments and the Departments perspective on how they change the bill. The amendments to the Title of the bill reflect the changes in the body to which I will refer. On Page 11, Line 6 of the SB 120 the amendment allows direct petition to the Department by "at least one-third of the water right holders in the proposed controlled groundwater area." This amendment was in response to opposition by local governments that water rights are a responsibility of the Department and there should be a way for them to petition directly. The addition of the amendment allowed the local government to support the bill.

On Page 13 lines 24 and 25, language specifically identifying land use changes and elimination of flood irrigation was stricken. This change eliminates the specifics but keeps the broad issue that a controlled ground water area may be designated by the Department when "current or projected reductions of recharge to the aquifer or aquifers in the proposed controlled ground water area will cause ground water levels to decline to the extent that water right holders cannot reasonably exercise their water rights." Land use changes may cause declining ground water and in those instances the Department will consider these effects in making its determination.

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In conclusion, we must remember that designation of CGWA's can be an important tool to address ground water development and health and safety issues. However, the current process simply isn't working. CGWA's provide a method that can focus on a specific problem in a specific geographical area. We recognize that the controlled ground water statutes have become problematic to implement in this day and age and we seek your help to improve the process. The process must be fixed if CGWA is to be a viable option. Thank you again for opportunity to comment on this legislation.

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